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MEMORANDUM FOR THE PRESIDENT

Reported to
President
20 Dec. 59

SUBJECT: Your Bilateral Discussion with Chancellor
Adenauer

The following items are likely to be raised by Chancellor Adenauer during your bilateral discussion with him, or are suggested as appropriate for you to raise with the Chancellor:

1. Vested German Assets

(On December 16, German Foreign Minister von Brentano handed me the draft of a proposed Memorandum of Understanding between you and Chancellor Adenauer under which an executive agreement was to be immediately concluded for the return of German assets vested in the United States. Under this procedure the Germans would be willing to accept \$200 million for a vested assets settlement in the form of the cancellation of an equivalent amount of GARIOA repayments, thus by-passing the U. S. appropriation process. Additional comments from Undersecretary Dillon on the specific German draft Memorandum are awaited.)

In handing the draft Memorandum to me, von Brentano said that Chancellor Adenauer would raise this question with you. The latter may argue that you can settle this troublesome issue by a stroke of the pen if you so desire.

Confirming my conversation with von Brentano, you may wish to point out that any such executive action as proposed would almost certainly provoke severe criticism from some Congressional quarters. You may also wish briefly to note that two years ago the Federal Republic specifically requested that the U. S. defer its package plan to pay war damages and to make a monetary return to former owners. Over two years have passed since our offer and conditions have changed, especially our balance of payments situation. It is unlikely that the U. S. Congress would now approve any substantial return plan. The U. S. must continue to seek a bill to pay our war damage claims. When this is passed it might conceivably be easier to ask the support of Congress for an assets return plan.

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2. Reassurances Regarding American Intentions

We have been told that Chancellor Adenauer will query you regarding the numerous rumors and press reports which have recently circulated about intended American troop withdrawals from Europe. It seems that the Chancellor may be going through another of his periods of doubt about our intentions.

It is suggested that you may wish to respond to the Chancellor somewhat along the lines of the remarks which I made to the NATO Ministerial Council on December 15. I pointed out that the U. S. intends to assume its full share of the overall task of meeting NATO's security requirements. I said that, in connection with the discussion of our own force contribution for calendar year 1960, it would be made clear that the U. S. intends to maintain the combat effectiveness of its forces in Europe. I went on to say that recent press reports that we are planning the eventual withdrawal of our forces in Europe reveals a fundamental misconception of how we appraise our basic security interest and our commitment to NATO. I then said: "Let me assure this Council categorically that as long as the Soviet threat and our collective security systems exist, and NATO continues to command the loyal participation of all of its other members, it is the policy of the U. S. to maintain American troops as an effective part of this shield in Europe. Having said this, I am also bound to say that the U. S. Government is concerned over whether it is today being asked to carry more than a fair share of the mutual defence. Europe has regained the power, the level and the vitality which it had in former years. It is in a very strong position economically.

"Increased power should mean increased responsibility, as the U. S. has already realized and we believe has demonstrated. We feel that the European members of the Alliance can and should undertake an increased share of the defense task. If they assume the task which their growing strength makes possible, there is good reason to believe that substantial progressive gains may be made in enhancing NATO's military posture."

3. Greater German Defense Efforts

You may specifically wish to emphasize to Chancellor Adenauer the great importance to NATO of the rapid completion of the German military buildup. The introduction of additional German combat-ready forces is essential for the Western defense posture.

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4. Increased German Aid to Underdeveloped Countries

You may wish to make the point that we believe that Germany, as a major power, could and should provide for a much greater outflow of capital to the less-developed countries. We attach importance, for example, to a large German contribution to India's Third Five Year Plan - within the framework of a coordinated free world approach to the Indian development problem. We are bothered by the fact that the Germans have no governmental body specifically organized to deal with this problem.

At the time of Undersecretary Dillon's visit to Bonn, the Chancellor evinced interest in assistance to Turkey and perhaps also Greece. There was even some intimation that he might consider military aid as well as economic assistance to Turkey and Greece.

More recently, Bonn officials have stated that the Chancellor is becoming increasingly concerned over the Turkish economic situation and it is expected that he will want to raise this subject with you.

You may wish to say that we would favor such assistance to relieve the economic and military burdens of Turkey and also of Greece.

If Adenauer raises the possibility of a NATO funding program, you might comment that it is generally agreed that this should be done bilaterally rather than through special NATO funding arrangements.

5. Contacts between the Federal Republic and the GDR

You will recall that, during a conversation between yourself and Chancellor Adenauer on August 27, the Chancellor agreed to have studied your proposal for exchanging certain groups between the Federal Republic and the GDR (e.g. managers, farmers, professors, school principals, doctors and lawyers). On November 16, the Chancellor sent to our Embassy in Bonn a Memorandum concluding that individual contacts with East Germans were desirable and were being encouraged by the Federal Government. However, it questioned the advisability of promoting exchanges of organized groups because travelers from the Federal Republic

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could not be protected while in the Soviet Zone, groups from the GDR would be hand-picked and trained for the purposes of the regime, and the GDR would prevent any effective contacts on the part of West Germans with the East German population.

Although it seems unlikely that the Chancellor's basically negative attitude on this subject can be changed, you may wish to express our disappointment that the German study showed so few possibilities for taking advantage of the preponderant influence which the Federal Republic might be expected to exercise due to its greater economic and political strength.

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